

DIVISION OF TAXATION HIGHLIGHTS

- During fiscal year 2003, the number of taxpayers who chose to file their individual income tax returns using an electronic method rather than paper increased 27% over the previous year. The increase during the previous fiscal year was 23%. Nearly one million tax returns were filed electronically for the 2002 tax year.
- In May of 1999, the Division began publishing on our Web site a listing of businesses and individuals with the largest uncollected New Jersey tax liabilities. During fiscal year 2003, the publishing of these lists of taxpayers, who had previously ignored the Division's attempts to bring them into compliance, generated revenues of \$916,000. Since its inception, this program has resulted in collections of \$7 million.
- The Division of Taxation and the Division of Criminal Justice have entered into a Memorandum of Understanding (MOU) to streamline investigative procedures in tax fraud cases that involve both Divisions. The MOU allows for the sharing of information, based on certain parameters, between the two Divisions in the course of criminal investigations. The MOU contains clear guidelines established to preserve confidentiality of tax records, while also increasing the ability of state criminal investigators to obtain relevant tax information.
- Major amendments to the Unclaimed Property Law which reduced various abandonment periods from 10, 7, or 5 years to 3 years beginning on July 1, 2002, increased the public's awareness of Unclaimed Property and increased the amount of work of the Unclaimed Property Branch by 700%. As a result of the law change, the Unclaimed Property Branch collected \$462,419,836 in cash and \$122,785,407 in securities for a total of \$585,205,243 in fiscal year 2003. More than \$41 million was returned to claimants. Collections were up 200% over fiscal year 2002 when \$192,387,108 was collected and \$26,839,083 was returned to claimants. It is anticipated that Unclaimed Property will return approximately \$60 million to claimants during fiscal year 2004.
- The Office of Criminal Investigation (OCI) completed a 3-year investigation of a tax preparation firm. The investigation resulted in guilty pleas from two defendants to charges of filing fraudulent tax returns. Both defendants were sentenced to probation and prohibited from operating an accounting or tax preparation business, but ongoing investigation revealed that they continued to engage in the preparation of tax returns. The defendants were then sentenced to jail terms for violating the court's orders and were placed on work release. Further investigation revealed that the defendants were still engaged in tax

return preparation while on work release. Work release was subsequently revoked and the defendants were remanded to prison. Ultimately, it was discovered that one of the defendants had been systematically stealing from his clients. Guilty pleas were entered for theft by misapplication of \$368,161.51 in New Jersey sales tax payments, and theft of \$46,051 which had been entrusted to him by an elderly client. The defendant is now serving a 5-year prison sentence.

- During the fall of 2002 the Division instituted a license suppression project for cigarette and motor fuels tax licenses which would be eligible for renewal beginning April 1, 2003. Of the approximately 24,000 license holders, letters were sent to 4,689 in January 2003 advising them that their business tax account showed either delinquent or deficient items and that their license would not be renewed until these items were resolved. As of June 30, 2003, the Division had received payment and/or information which resulted in the release of 2,671 of the 4,689 licensees. Collections attributed to the project totaled \$1,585,396.
- In June 2003 the Division launched an online information service, *NJ Tax E-News*, to broadcast taxation news by e-mail. The service, which is hosted by Topica, Inc., a commercial e-mail services provider, allows the Division to distribute information to interested groups quickly and easily without the expenses of printing and mailing. *NJ Tax E-News* messages cover a variety of topics and contain links to publications, including the *New Jersey State Tax News*, and other material recently posted on the Division's Web site. Mailings are targeted according to the user category and area(s) of interest that were chosen by subscribers when they signed up for the service. (Subscribers can modify these choices at any time.) Current user categories are: individual, business, tax practitioner, government employee-NJ, or government employee-outside NJ. Areas of interest include: income tax, property tax relief programs, publications, and sales and use tax. The Division plans to expand *NJ Tax E-News* to include additional topics in the future.
- In November of 1999, the Division became a participant in the Federal Offset of Individual Liability (FOIL) Program which was set up by the Federal Management System (FMS). Through the FOIL Program the Federal government offsets Federal personal income tax refunds against tax deficiencies of participating states. Affected taxpayers are sent notification by certified mail advising them of the intended set-off and giving them 60 days to protest the action. The Division receives payments directly from taxpayers sent in response to the notification, as well as payments from the FMS as a result of the offset. The Division collected revenues of \$5.6 million during fiscal year 2003 and more than \$28 million since becoming a participant.